WAR DEBT was one of the most difficult problems left by World War I. Huge war costs had forced some countries to borrow from others. The borrowed sums came to be known as *inter-Allied debts*.

The United States was the chief lender during the war. It loaned more than $10 billion. In 1922, Congress organized the World War Foreign Debts Commission. By 1930, the commission had made agreements with all the debtor countries except Russia and Nicaragua. Cuba and Liberia had paid their small debts in full. The United States tried to make all settlements in accordance with each nation's ability to pay.

German Reparations. The Treaty of Versailles held Germany responsible for the losses that the Allied nations suffered during World War I. In 1921, a commission of Allied experts ordered Germany to make *reparations* (damage payments) of about $33 billion. It was to make some payments in money, and some in goods. Germany paid a few installments, but claimed that the payments were wrecking its economic system.

In 1924, an international committee headed by Charles G. Dawes worked out a payment and loan plan to ease the financial strain on Germany (see DAWES PLAN). But Germany insisted on a reduction in its payments. In 1929, an international commission of financial experts met in Paris to discuss German reparations. The outcome of the discussions was the Young Plan. This plan reduced the German debt to about $10 billion, and made payments easier. The members of the commission also established a Bank for International Settlements to handle payments. Meanwhile, general inflation and uncontrolled spending had led to a world-wide financial panic and depression. The panic threatened Germany with complete financial collapse.

The Hoover Moratorium. On June 30, 1931, President Herbert Hoover proposed that all intergovernmental debts be held up for one year. The purpose of this action, known as the *Hoover Moratorium*, was to provide a "breathing spell" for European countries. Germany took the opportunity to ask for a complete adjustment of all war debts.

The Lausanne Conference. In June, 1932, an international conference met in Lausanne, Switzerland. The conference agreed to cancel all German reparations until better conditions returned to Germany.

The worldwide depression greatly hindered the government debt problem. On June 15, 1933, debt payments to the United States amounted to about 8 per cent of the total due. Only Finland made full payment. By 1934, the war-debt agreements totally collapsed.

During World War II, the United States was again the great financial power. The Lend-Lease Act of 1941 replaced the huge lending system of World War I. According to this act, the United States loaned goods and materials to nations fighting Germany and Japan. After the war, no repayment terms were decided upon. The United States canceled some war debts outright. During the Korean War, the U.S. loaned its allies about $1 billion in military goods. NORMAN D. PALMER

See also BANK FOR INTERNATIONAL SETTLEMENTS; LEND-LEASE.

WAR DEPARTMENT was an executive department of the United States government from 1789 to 1947. It was set up to supervise all military activities and all phases of national defense. In 1798, Congress separated the naval forces from the land forces, creating a new Department of the Navy. The War Department retained control over the Army. The secretaries of both departments reported to the President, were members of the President's Cabinet, and cooperated through joint committees and conferences.

After World War II, government authorities decided that a unification of all three military services—the land, sea, and air forces—would result in greater national defense at lower cost. Congress passed the National Security Act in 1947, setting up the National Military Establishment (NME). The secretary of war became the secretary of the army, and lost his place in the President's Cabinet. A secretary of defense supervised the NME, which included the new Department of the Army and two other military departments. In 1949, the NME became the Department of Defense (see DEFENSE, DEPARTMENT OF).

The War Department was one of the first three departments established by the federal government. The secretary was chosen as an administrator, and not as a military expert. He relied on military officers for advice. He was assisted by the *War Council*, which included his undersecretary and the chief of staff of the army. The *War Department General Staff*, established in 1903 under the chief of staff, provided professional military advice to the secretary of war and the President.

The War Department's principal job was to manage the Army. It had to recruit men, provide them with weapons and supplies, transport them, and protect their health. It also had to build fortifications, direct the education of officers, and supervise the National Guard (see NATIONAL GUARD).

In its early years, the War Department also had important nonmilitary functions. It conducted a large construction program in improving rivers and harbors, building dams and reservoirs, and developing other public works. Other government agencies took over much of this public works program during the 1930's. The War Department also managed the affairs of the island possessions of the United States through its Department of Insular Affairs. This agency was abolished in 1939, and its duties were transferred to the Department of the Interior.

One of the War Department's biggest tasks in the years before World War II was the administration of the Civilian Conservation Corps (CCC), an organization of about 300,000 young men who worked on government conservation projects. For a limited time, the War Department also had the responsibility of transporting all air mail.

Many famous men held the office of secretary of war. Some of the best known included James Monroe, Jefferson Davis, Edwin M. Stanton, Elihu Root, William Howard Taft, Newton D. Baker, and Henry L. Stimson. Baker was secretary during World War I, and Stimson during World War II. JOHN G. BOLLENS

See also ARMY, DEPARTMENT OF THE; AIR FORCE, DEPARTMENT OF THE.

WAR HAWKS. See WAR OF 1812 (Causes of the War).

WAR LABOR BOARD, NATIONAL. See ARBITRATION.

Some Secretaries of War

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